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AN OTS MANAGEMENT WHITE PAPER

STRATEGIC PLANNING FOR NOT-FOR-PROFIT ORGANISA- TIONS

**The OTS Management 10
Step Guide to Strategic
Planning for Not-For-
Profit Organisations**



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Organisations

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June 2005

www.otsmanagement.com.au

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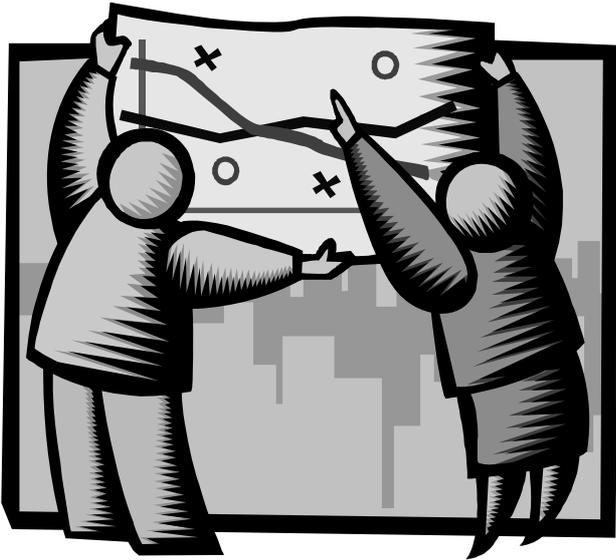
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The information in this white paper does not constitute “advice”. The reader who wishes to follow the information contained in this white paper will need to obtain his or her own advice on how the information may apply to their specific circumstances.



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THE IMPORTANCE OF PLANNING

There is broad agreement among not-for-profit leaders and experts that planning is a critical component of good management and governance. Planning helps assure that an organisation remains relevant and responsive to the needs of its community, and contributes to organisational stability and growth. It provides a basis for monitoring progress, and for assessing results and impact. It facilitates new program development. It enables an organisation to look into the future in an orderly and systematic way. From a governance perspective, it enables the Board to set policies and goals to guide the organisation, and provides a clear focus to the Executive Director and staff for program implementation and agency management.

Most organisations understand the need for annual program objectives and a program-focused work plan. Funders require them, and they provide a basis for setting priorities, organizing work, and assessing progress. A growing number of community-based organisations go

beyond funder requirements to develop annual objectives and operating plans which also include a systematic plan for resource development, organisational development, and in some cases Board development. Most groups find it practical to define objectives for a 12-month period, and to design strategies and programs to meet them.

Longer-range planning – planning beyond the next year or two – often seems more difficult and less rewarding. With the external environment changing so rapidly, Board members and senior staff ask, how can we expect to develop plans that will remain relevant? With so little control over external events, how can we hope to influence them in a way that benefits our community?

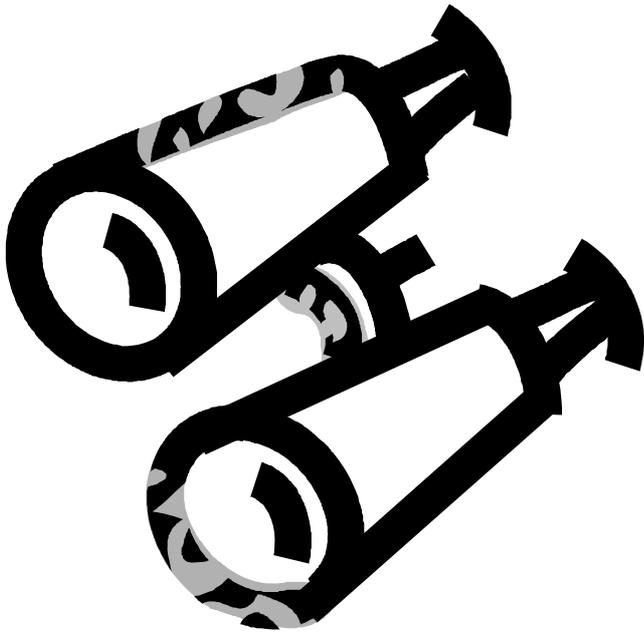
In fact, planning is no less important in a changing environment; it may well be more important. Most community-based organisations exist to serve a specific community. To do that, they need to be very clear on their community needs and then work to address them through similarly clear organisational missions, priorities, target groups, and objectives. If the external environment – funding, the economy in general, government legislation, etc. – is changing, then organisations must be that much more effective in defining needs and marshalling internal and external resources to meet them. The community's needs will change over time. The challenge of meeting them can become greater with changes in the local or national environment, such as a poor economy or unresponsive government policy. It is here that strategic or long-range planning can be most helpful. Planning is designed to help an organisation

define its vision for the future and then determine systematically how it will get there, understanding obstacles and figuring out ways to overcome them.

There is an important caveat: Longer-range planning requires some level of organisational stability. It is very difficult to plan in a crisis, and unrealistic to look five years ahead unless an organisation has some confidence that it will exist next year, and that most of its key staff and its Board leadership will continue to be affiliated with the organisation. Board and staff also need the time to plan, which means that they must not be using every minute to carry out functions required for survival. Moreover, while planning provides increased organisational definition, a sound base for planning is consensus concerning a well-defined vision-mission statement and/or organisational goals – these must often be developed as a foundation for longer-term planning. It is also difficult to plan if the organisation is so young or its leadership so new that they do not have a good sense of the community and of the broader external environment. Most new organisations, or groups which have undergone major institutional difficulties or change, find that they do best by first attempting to reach consensus on an organisational vision and then doing shorter-range planning, usually for a single year. Learning from that experience, they can begin a longer-term planning process.

Planning that focuses on a period of three years or more requires an organized, serious effort which takes time and energy. There may need to be a formal community needs assessment as input to planning. This is extremely valuable, but

also demanding. Moreover, planning is not a one-time effort; any plan needs to be reviewed, monitored, and updated. The benefits to an organisation can be significant -- a clear focus, a sense of joint purpose and agreed-upon priorities, consensus on strategies, and a basis for measuring progress and impact.



DEFINING LONG-RANGE VERSUS STRATEGIC PLANNING

The term strategic planning has become very popular in recent years. Many not-for-profit organisations now talk about doing strategic planning rather than long-range planning. Yet the difference between the two is not intuitively obvious, nor universally agreed upon. Following are typical definitions and explanations of the two terms:

Long-range planning: The process by which the leaders of an organisation determine what the organisation wants to look like at the end of a specified period of time – usually three to five years – then use that vision to establish multi-year goals and objectives which describe what the organisation wishes to accomplish, and develop programs, tasks, and timelines for achieving them. Long-range planning predicts future conditions and realities, internal and external, and plans how the organisation can function effectively within them. Because it involves multi-year projections, it cannot be as specific as

short-term or operational planning, which generates a work plan with detailed annual objectives, tasks, methods, timelines, and responsibilities. However, it tends to be more focused on specific objectives and timelines than strategic planning.

Strategic planning: The process by which leaders of an organisation determine what it intends to be in the future and how it will get there. To put it another way, they develop a vision for the organisation's future and determine the necessary priorities, focal points and strategies to achieve that vision. Included are measurable goals or high-level key performance indicators which are realistic and attainable, but also challenging; emphasis is on long-term goals and strategies, rather than short-term (such as annual) objectives. Strategic planning assumes that certain aspects of the future can be created or influenced by the organisation. Strategic planning is ongoing; it is "the process of self-examination, the confrontation of difficult choices, and the establishment of priorities" (Pfeiffer et al., *Understanding Applied Strategic Planning: A Manager's Guide*). Strategic planning involves "charting a course that you believe is wise, then adjusting that course as you gain more information and experience" (Wilder Foundation, *Strategic Planning Workbook*).

Differences between strategic and long-range planning: While closely related to long-range planning, strategic planning is generally considered to place a greater emphasis on strategies – on how the organisation will achieve its vision – while long-range planning places greater emphasis on determining the vision.

A STRATEGIC PLANNING PROCESS

There are many different models and action steps for strategic planning. One approach is summarised below. It assumes a cooperative effort between Board and staff, perhaps with a special strategic planning committee of Board members and staff taking responsibility for the effort. Some of the work can be done in committee, while Board and staff planning sessions or retreats are also likely to be required, both early and late in the planning process. Typical steps are described below, along with some suggested approaches for carrying out each step.

Frequently, Steps 1-3 occur before a strategic planning retreat, Steps 4-7 during the retreat, and Steps 8-10 after the retreat.



1. Agree on a strategic planning process. This may be done at a Board meeting with key staff present, or may require a special meeting or retreat, including Board, key staff, and some external stakeholders. The critical issue is to have leaders and opinion-makers in the organisation agreed about the value and need for the process. At the session:

- Provide an understanding of what strategic planning is and how it is done;
- Discuss its potential value to the organisation,

in terms of providing a common vision and focus, with agreed-upon goals and strategies;

- Consider the costs of doing strategic planning, in terms of staff and Board time and other resources – and what might need to be given up in order to develop a plan; if the organisation is in crisis or is financially or organisationally unstable, it may be difficult or unwise to enter into a strategic planning process until the immediate problems and needs have been successfully addressed;
- Consider whether the organisation is "ready" for a long-range plan or whether it may best focus on a short-term plan, perhaps doing a one-year plan and then undertaking longer-term planning at the end of that year;
- If strategic planning seems appropriate, consider what procedures or steps can be used to establish and implement a strategic plan (including the following);
- Agree upon a process and establish responsibilities for the various steps in the process, including at least one day (or several half-days or evenings) devoted to a Board and (all or senior) staff planning retreat or a series of planning meetings.

Except for a very small organisation, it will probably be desirable to set up a strategic planning committee or task force. Choose participants carefully, assuring their commitment to the process and their willingness to devote sig-

nificant time to the planning effort. Usually the coordinating group will include a mix of Board leaders and members, as well as senior and middle managers. Some groups also include a representative of technical and/or support staff. Representatives of stakeholders – funders, sister organisations, and allies – and perhaps former leaders of the organisation or other resource people might also be included. The organisation may also want to include an outside facilitator or consultant who will assist with the process and with preparation of the strategic planning document – or this may be done by staff.

Be sure to allocate sufficient staff time to the strategic planning process. It may be necessary to reduce the regular workloads or responsibilities of staff and Board members who are expected to play a key role in developing the strategic plan.



2. Carry out an environmental scan.

This helps provide an understanding of how the organisation relates to its external environment. The scan

usually includes an external component -- identifying and assessing opportunities and threats in the external environment -- and an internal component -- assessing organisational strengths and weaknesses. This process is often referred to as "SWOT": strengths, weaknesses, opportunities, and threats.

The external component of the environmental

scan should include a review of the target or service community and the broader environment in which the organisation operates, to identify the opportunities and threats facing the organisation. This might include the following:

- Consider forces and trends in the broader community, political, economic, social, and sometimes technological ("CPEST"). In each area of CPEST, look at changing demographics, political trends, community values, economic trends, the implications of new or changing laws and regulations affecting the organisation, communications and other technological trends -- and consider their impact on your organisation and the population it serves.
- Look carefully at the immediate target community or service area to determine its status and needs, and specifically those of current and potential clients and beneficiaries of the organisation's services and advocacy.
- Consider opportunities and challenges related to resources and funders.
- Look at actual and potential collaborators and competitors, including organisations which may serve the same community and/or target population or may seek funds from the same funding sources, public or private.

This process may involve something as extensive as a community needs assessment with interviews, focus groups, and fax or e-mail surveys that is conducted by a consultant, or may be limited to a small number of informal discussions with clients and other community residents, heads of other organisations, public servants, funder representatives, and other appropriate individuals.

The internal component of the environmental scan includes an assessment of the organisation's strengths and weaknesses. This may include a number of components or approaches.

- You may want to assess current organisational performance in terms of financial and human resources (inputs), operating methods or strategies (processes), and results or outcomes (outputs) otherwise referred to as the "IPO Assessment". If the organisation does not have extensive objective measures of its outcomes, perceived performance can be partially determined through asking clients and stakeholders. Try to understand how key players or stakeholders in the broader community -- as well as constituents or clients -- view the organisation. Sometimes, brief written forms are sent to, or interviews conducted with, key stakeholders; interviews are best conducted by a consultant, to assure frank and honest responses. Once you have this information, be sure to further analyse the reasons -- in terms of inputs and processes -- for perceived weak-

nesses in outcomes.

- It is often valuable to identify critical success factors for the organisation. This step is not always included in strategic planning, but can be very useful. Try to understand what factors are necessary to the future and continued success of the organisation. These may be factors like relationship with target community/constituency, resources, program strategies, governance structure, and staff skills and style. This may be done directly, or the organisation might try a method which is to use "reverse logic," to identify the elements -- the activities, attitudes, assumptions, etc. -- that would cripple the organisation and keep it from fulfilling its mission. Then use this to identify the critical determinants of success. Both Board and staff can provide useful input to this process.
- The organisation might want to review or formalise organisational values and operating principles. Some organisations have written values and principles which guide their decision making and their ongoing activities. These can be very helpful in "defining" the organisation.

A consultant can be hired to assist with the environmental scan, contacting stakeholders to provide an external view and staff to obtain an internal assessment. An organisation that is open in its communications may be able to obtain this information without outside assistance,

through a staff retreat or a series of meetings with staff in various components and at various levels within the organisation. The committee responsible for the strategic plan should work with staff to plan the environmental scan, help to conduct external interviews with community leaders – especially if no consultant will be used, and assure that the Board receives a full report on the results of the environmental scan process.

The result of the environmental scan should be an analysis of organisational strengths and weaknesses and external opportunities and threats. This may be oral or written, and requires careful review and discussion by the strategic planning committee. Often, your strategic planning retreat will begin with a presentation of results of the environmental scan. Sometimes, results are presented at a Board or Board-staff session prior to the retreat. In either case, the Board and staff should be familiar with the findings before strategic planning decisions are made.



3. Identify key issues, questions, and choices to be addressed as part of the strategic planning effort.

This may mean specifying "strategic issues" or questions that the organisation should address, and setting priorities in terms of time or importance. If there is little disagreement about issues and priorities, it may be possible to move immediately to the organisational vision and then goals. If there is no agreement on general directions and or-

ganisational goals, it may be important to explore issue priorities and identify critical choices. This might be done in several ways. For example:

- Board and staff might be asked to identify strategic issues from the environmental scan, with individuals identifying a specified number of such issues and indicating why each is strategic, including the benefits of addressing it and the negative consequences of not addressing it. These issues might involve a wide range of program or other issues – e.g., the need for new programs to address a particular community need such as education or housing, expansion of the organisation's target area from particular communities to the entire city or region, agreement on who constitutes the organisation's constituency, or a decision as to whether the organisation should consider merging with another group.
- The planning group or a consultant working with the group might work to identify strategic issues emerging from the environmental scan, and then prioritise them in terms of importance, timing, and feasibility. The result should be a set of strategic issues that will be addressed as part of the strategic planning process, preferably during the retreat, and a second set that will not be addressed or will receive limited attention at the retreat, but will be considered by a Board committee or appropriate staff.

Whatever the method used, the issues discus-

sion should generate some level of agreement about issues or choices to be considered and decisions to be made as part of the strategic planning process.

Once Steps 1-3 have been completed, you are ready to develop a strategic planning retreat agenda and schedule a one- to two-day retreat or a series of shorter meetings.



4. Define or review the organisation's values, community vision, and mission.

Be sure there is consensus on why the organisation exists, what goals or outcomes it seeks to achieve, what it stands for, and whom it serves. If it has specific mandates –things it must do or not do based on its articles of incorporation or bylaws, or long-term contracts or grants – then these should be clearly defined. Consider beginning your strategic planning by agreeing on the following:

- **Organisational core values or operating principles** – those beliefs or principles that guide the organisation; these values are shared by Board and staff, strongly held, and not easily changed.
- **Community Vision** – your vision for the community; it might be viewed as your image of what the community you serve would be like if your values were shared and practiced by everyone. Note that this is your vision for the community, not your vision of what the organisation will look like in three to five years or more (that comes

later!). In a strategic planning process for a For-Profit organisation defining a community vision is not necessary but for a Not-For-Profit community based organisation, it is crucial.

- **Mission** – the stated purpose for your organisation's existence; it might be viewed as your organisation's public statement of the contribution it promises to make to help accomplish the community vision.

Agreeing on values, community vision, and mission is usually best accomplished as a part of a planning retreat or at a special meeting; the process will usually take several hours, and should include Board and at least senior staff. Often, you will draft the values and mission statement and describe the vision as part of your strategic planning session, and then the Strategic Planning committee or task force will review and refine the specific language, and bring the refined language to the Board for approval.

5. Develop a shared vision for the organisation.

In some strategic planning efforts, a vision for the organisation is developed after a vision for the community has been discussed -- with the assumption that a shared organisational vision may be dependent upon a shared vision of what society should become. Whenever this is done, it is important to agree on where the organisation wants to be in three to five years (It is often helpful to focus on where you want to be at the end of the period covered by the strategic plan).

For many Board and staff members, it makes

sense to first develop a vision of where the organisation wants to be in a specified number of years, and then define strategies that will help it get there. The vision might describe the organisation broadly, in terms of its mix of programs, reputation or status inside and outside its primary target community, key accomplishments, and relationships with stakeholders; specific descriptions might be included in relation to service/target area, program scope and depth, funding, governance, staffing, relationships with other entities, visibility, etc. This form of "visioning" can be done in many ways; for example:

- o Small groups can physically draw their vision of the future, then describe it to the full group, and identify common elements, and use them to establish a joint vision. This approach is often used when the Board has limited literacy or where the whole Board is not entirely comfortable in the same language – e.g., multi-ethnic Boards, or Boards that include some members with limited English fluency and some with only English fluency.
- o Small groups can role play what they would want to be able to say about the organisation's major accomplishments and reputation to a newspaper reporter five years from now, then share the major components of their vision with the full group, again as a basis for developing a shared vision.
- o Small groups can play the role of various supportive stakeholders – funders, clients, allies/collaborating organisations, the

Board, the staff – and each develop a series of statements describing the organisation as they would like to see it in a specified number of years. Then these visions can be shared and "meshed".

- o Individuals can complete a formal worksheet indicating where they see the organisation in either broad or specific terms. For example:
 - **Broad categories.** Describe the organisation in five years, in terms of the following categories such as program, resources, status, relationships, institutional development, and governance; or
 - **Specific characteristics.** Describe the organisation in five years, in terms of the following: target area, target populations, budget, percentage of funding from public and private sources, staff size and composition, staff/component structure, program areas, offices/locations, Board size and composition, relationship with the private sector, relationship with major local public agencies.

Individuals would then share the information in small groups, reach some form of shared responses, then present them to the full group. The full group must then reach consensus on a shared vision.

If the organisation is small, the full group can take turns describing the organisation in terms of specified categories or topics (e.g., missions, program scope, resources, relationships), then consensus can be reached on major statements and categories.

The development of a shared vision is usually best done with both Board and staff involvement. For a small organisation, a joint Board-staff process may be practical. For a large organisation, a two-stage process might be useful, with staff first working together on a vision, then having the Board and key staff participate in a similar process, in which they review and incorporate the staff vision with their own.



6. Develop a series of goals or organisational status statements which describe the organisation in a specified

number of years – assuming it is successful in addressing its mission.

It is usually a short step from the vision to goals – sometimes the statements describing the vision are essentially goal statements. It is extremely valuable to transform the vision into a series of key goals for the organisation, preferably in the form of status statements describing the organisation. For example, goals might cover a variety of categories, stated as follows:

- **Program:** "Super-Service Inc will operate an alternative high school with public school funding that will have a student body of 250"; "Super-Service Inc will pro-

vide comprehensive services to youth from pre-school through college age";

- **Resources:** "Super-Service Inc will have a budget of \$3 million and a staff of 40";
- **Status:** "Super-Service Inc will be the largest and most respected non-profit housing development corporation in Perth";
- **Relationships:** "Super-Service Inc will be represented on major coalitions in its program areas and on the Boards of at least three major mainstream organisations";
- **Institutional Development:** "Super-Service Inc will own its own headquarters building, which will also have space for rent to other community-based organisations"; "Super-Service Inc will have a fully computerised financial management and management information system, with all staff connected through a network".
- **Governance:** "The Super-Service Inc Board will take an active role in resource development, taking responsibility for one major special event each year"; "The Super-Service Inc Board will establish three active working committees – Programs, Finance, and Resource Development – which will meet bimonthly and consistently have quorums."

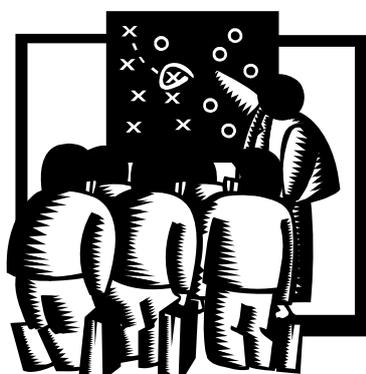
During the development of goals, it is always important to ask two questions of every goal submitted for consideration:-

- Vision, Mission, Values - Does the goal

help the organisation achieve its vision, is it within the definition of the organisation's mission, will achieving it subscribe to the organisations core values?

- Is the goal, and the phrasing of it, SMART (Specific, Measurable, Achievable, Result-based, Time-defined)?

If the answer to both is not an unequivocal "yes" then the goal must be discarded.



7. Agree upon key strategies to reach the goals and address key issues identified through the environmental scan.

The major emphasis should be on broad high-level strategies (not lower-level action steps), including current and new program, advocacy, collaborative, or other approaches. These strategies should be related to specific goals or address several goals. The process requires looking at where the organisation is now and where its vision and goals indicate it wants to be, and identifying strategies to get there. The Board needs to provide a broad view to guide this effort, while the planning group or staff can do much of the detailed analysis.

Approaches might include the following:

- Once the key issues to be addressed and the goals have been specified, the planning group, staff, or a consultant might look back at the SWOT results of the envi-

ronmental scan, and identify changes in current strategies which may be required to reach the goals and address the issues. This might mean identifying potential new strategies or suggesting changes in emphasis or priority. These would be presented to the Board and key staff for discussion and decisions.

- The planning group might review the planning process to date, and develop and present to the Board and key staff a series of alternative approaches or scenarios – for example, should the organisation focus on community organising or national-level advocacy; should there be increased decentralisation or more centralisation; should field offices receive more or less attention and resources, compared to the headquarters office. Based on the decisions made using these scenarios, strategies will be determined.

Whatever the specific approach used, specific criteria for evaluating and choosing among strategies should be agreed upon. They might include such criteria as the following:

- Value** – Will the strategy contribute to meeting agreed-upon goals?
- Appropriateness** – Is the strategy consistent with the organisation's vision, mission, values, and operating principles?
- Feasibility** – Is the strategy practical, given personnel and financial resources and capacity?

- **Acceptability** – Is the strategy acceptable to the Board, key staff, and other stakeholders?
- **Cost-benefit** – Is the strategy likely to lead to sufficient benefits to justify the costs in time and other resources?
- **Timing** – Can and should the organisation implement this strategy at this time, given external factors and competing demands?

Based on these or other agreed-upon criteria, strategies can be evaluated and selected, or prioritised.

In agreeing upon strategies, the planning group should always consider the need to clearly define responsibilities for their implementation. For example, if a strategic plan goal is to make primary health care available to your target group, regardless of ability to pay, then a key strategy might be to establish a coalition of local organisations to work towards establishment of a community health centre, or to work with a local hospital or existing health centre to open a satellite centre in the community. Or you might need to advocate for changes in current laws or policies. There must be someone or some unit within the organisation that can take responsibility for implementing this strategy.

You are likely to complete Steps 4-7 during a strategic planning retreat. Someone, a consultant, the Strategic Planning committee or task force, or a staff member will need to take the notes from the retreat, the results of the environmental scan, and other relevant materials and

begin to draft a written strategic plan. Once this draft has been prepared, the next step can begin.



8. Develop an operational business plan that addresses goals and specifies objectives and work plans on an annual basis.

Once the longer-

term elements of a strategic plan have been developed, it is time to ensure a specific operational plan to begin implementation. Strategic planning recognises that strategies must reflect current conditions within the organisation and its environment. Thus it is rare to attempt to develop detailed annual objectives except for the first or perhaps the first and second year covered by the strategic plan. However, annual operational business plans are needed. Annual program objectives should be time-based and measurable. The annual plan may be a part of the strategic plan or, preferably, may be an annual addendum to it.

However the annual plan is viewed, it is important that any work or workshops relating to the annual plan is conducted totally separately from those of the strategic plan – it is important two distinct paradigms are maintained, being a long-term strategic focus and a shorter-term details focus.

Objectives and work plans for the Board and for the institution as a whole are as important as program-related ones. Most projects have

specified annual objectives and work plans because of funder requirements, while only a strategic plan is likely to require a Board to think about its desired composition, skills, and involvement, or about organisational structure and administrative systems.

Developing annual objectives and annual work plans requires both Board and staff input, with staff often taking major responsibility for program-related goals and objectives once the Board has defined organisational goals, and the Board developing goals and objectives related to governance. The Board must approve the action plan, while staff (with consultant help, if desired) can do much of the development of the written plan. This is an area of staff expertise, since implementation of programs and other strategies based on policies set by the Board is a staff function.

9. Finalise a written strategic plan that summarizes the results and decisions of the strategic planning process. There is no set format, but be sure to include the outputs of each major step. The addendum at the end of this article provides a suggested format, but it is only one possibility.



10. Build in procedures for monitoring, and for modifying strategies based on changes in the external environment or the organisation.

Be sure progress towards goals and objectives and use of strategies is monitored regularly, with strategies revised and

annual objectives developed yearly, based on the progress made, obstacles encountered, and the changing environment. Have procedures for taking advantage of unexpected changes such as more sympathetic government policies or appointed officials, improvements in the economy, changes in local funder priorities, or changes in the target population. Define annual objectives at the start of each year. Look back to see what progress has been made in critical success factors. Use the plan as a compass, but not an inflexible blueprint for action.

The Board plays a critical role in reviewing progress and assuring that strategies are changed as appropriate; staff should carry out the documentation required to generate ongoing data for this review, as well as carrying out periodic monitoring and making reports to the Board. If the organisation has a planning and evaluation unit, it should play an ongoing role in monitoring progress towards goals and objectives, and analysing reasons for shortfalls in accomplishments.



process, so you can improve upon it with each cycle, and to create a store of “corporate memory”.

CONCLUSION

The steps listed above are just one approach to developing and implementing a strategic plan. Strategic planning is a process which lends itself to a joint Board-staff effort. Often, there is a joint Board-staff retreat early in the process, a Board-staff committee to oversee the entire planning process, a staff planning session with a strong focus on the achievement of the vision, mission and values, and a Board session to review and approve the plan. The retreats are in addition to committee meetings and ongoing staff work. The key planning sessions often work best when facilitated by an outsider knowledgeable about the organisation or about community-based organisations generally. A facilitator should be someone skilled in group processes and experienced in strategic planning who is non-directive, committed to assuring full discussion of issues but also task-oriented and able to move the process forward. Sometimes a former Board member or Executive Director can fulfil this role. If your organisation is relatively new, your first strategic plan is likely to be for a three-year period. After that, you may want to develop a new strategic plan every five years. Be sure to document not only the plan but also the

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